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DE RUEHKO #0854/01 0880642  
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FM AMEMBASSY TOKYO  
TO RUEHC/SECSTATE WASHDC PRIORITY 2963  
RUEKJCS/SECDEF WASHDC PRIORITY  
RUCPDOG/USDOC WASHDC PRIORITY  
RUEATRS/DEPT OF TREASURY WASHINGTON DC PRIORITY  
RUYNAC/COMNAVFORJAPAN YOKOSUKA JA PRIORITY  
RHHMUNA/HQ USPACOM HONOLULU HI PRIORITY  
RHHMHBA/COMPACFLT PEARL HARBOR HI//N541// PRIORITY  
RHMFIUU/HQ PACAF HICKAM AFB HI//CC/PA// PRIORITY  
RUHBANB/OKINAWA FLD OFC US FORCES JAPAN CP BUTLER JA PRIORITY  
RHMFIUU/USFJ PRIORITY  
INFO RUEHFK/AMCONSUL FUKUOKA 6934  
RUEHNH/AMCONSUL NAHA 9317  
RUEHNAG/AMCONSUL NAGOYA 5397  
RUEHKSO/AMCONSUL SAPPORO 7530  
RUEHOK/AMCONSUL OSAKA KOBE 0602  
RUEHBJ/AMEMBASSY BEIJING 2478  
RUEHMO/AMEMBASSY MOSCOW 2191  
RUEHUL/AMEMBASSY SEOUL 8519  
RUCNDT/USMISSION USUN NEW YORK 9068  
RHEHAAA/NSC WASHDC

UNCLAS SECTION 01 OF 02 TOKYO 000854

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STATE FOR I/RF, PA/PR/FPC/W, IIP/G/EA, EAP/PD, R/MR,  
EAP/J, EAP/P, PM;  
USTR FOR PUBLIC AFFAIRS OFFICE;  
TREASURY FOR OASIA/IMI;  
SECDEF FOR OASD/PA;  
CP BUTLER OKINAWA FOR AREA FIELD OFFICE;  
PACOM HONOLULU FOR PUBLIC DIPLOMACY ADVISOR

E.O. 12958: N/A

TAGS: [OIIP](#) [KMDR](#) [KPAO](#) [JA](#)

SUBJECT: TOKYO MEDIA REACTION - IRAQ AND PROBLEMS IN  
FINANCIAL MARKETS

¶1. LEAD STORIES: Several Friday morning papers front-  
paged the finding by Japanese police that a personal  
article belonging to a missing U.S. sailor was  
discovered in the car of a taxi driver who was stabbed  
to death in Yokosuka on Wednesday.

¶2. "Iraq War Altered World Picture" The  
business-oriented Nikkei editorialized (3/21): "Because  
of massive spending on the Iraq war, the U.S. budget  
deficit has increased, with Washington now relying on  
investment in U.S. treasury bonds by China and oil  
producers in the Middle East. In the ongoing global  
financial market turmoil triggered by the subprime loan  
crisis in the U.S., some major financial institutions  
in the U.S. and Europe have been rescued with money  
from oil producers. The accelerated depreciation of the  
dollar is shaking its status as a key currency. U.S.  
power has eroded considerably over the past five years,  
but no single country or region has emerged to replace  
the U.S. as a global balancer."

¶3. "Iraq War Leaves Japan with Heavy Lessons" The  
conservative Sankei's editorial said (3/21): "Many have  
pointed to the miscalculations the U.S. made on Iraq.  
Washington's assertion that the Saddam Hussein regime  
had weapons of mass destruction proved to be invalid. A  
detailed U.S. military report released recently also  
denied the existence of evidence pointing to a link  
between Iraq and al-Qaeda. However, it is too  
simplistic to declare the war in Iraq a 'war without  
cause' based solely on these findings.... The tyranny  
employed by Saddam Hussein was gruesome, as evidenced

by the execution of politicians he deemed rebellious. One cannot argue that the removal of a dictator of a lawless state was meaningless."

¶4. "U.S. Diplomacy Shifts toward Realism" The top circulation, moderate Yomiuri's Washington correspondent wrote (3/21): "The complex realities of the past five years have led to a change in the Bush administration's policy of containing 'rogue states' by force. Hamstrung by the quagmire in Iraq, Washington has had no choice but to shift from idealism to realism and from unilateralism to multilateralism. The Democratic presidential candidates, who are similarly idealistic about a swift U.S. military pullout of Iraq, are themselves likely to be forced to adopt a more realistic line eventually."

¶5. "Injection of Public Funds Unavoidable" The liberal Asahi contended in an editorial (3/21): "As the bankruptcy of a major financial institution would throw the global financial markets into chaos, U.S. authorities have no option but to take preemptive measures. The Federal Reserve Board in an unusual move used a special loan approach to bail out Bear Stearns. One can claim that public money has already been used to avert a crisis. The next focal point will be when and how the federal government uses taxpayer money.... There will likely be further twists and turns before taxpayer money is used. The recent decline in U.S. land prices appears to be modest considering the surging values of real estate during the housing bubble. We must keep in mind that the collapse of that bubble has

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just started, and we should be braced for a cold wind from the U.S. for some time."

SCHIEFFER